IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

PAID SEARCH ENGINE TOOLS, L.L.C., Plaintiff, v. YAHOO! INC., Defendant.	§ § § § § § § § § §	Case No. 2:07-cv-403 (TJW)

YAHOO!'S ANSWER, DEFENSES, AND COUNTERCLAIMS

Yahoo! Inc. ("Yahoo") respectfully submits this Answer, these Defenses, and these Counterclaims in response to the like numbered paragraphs of the Complaint of Paid Search Engine Tools L.L.C., ("PSET") as follows:

NATURE OF THE ACTION

1. Yahoo admits that the Complaint purports to be an action for patent infringement arising under the patent laws of the United States, Title 35, United States Code, but denies any wrongdoing or liability.

THE PARTIES

2. Yahoo is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 2 of the Complaint and, on that basis, denies them.

3. Yahoo admits that it is a corporation organized and existing under the laws of the State of Delaware and that its principal place of business is 701 First Avenue, Sunnyvale, CA 94089.

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JURISDICTION AND VENUE

4. Yahoo admits that the Complaint alleges acts of infringement of a United States patent under 35 U.S.C. § 101 *et seq*., and that the Court has jurisdiction over actions for patent infringement generally under 28 U.S.C. § 1338(a). Yahoo denies any allegation, express or implied, that it has infringed United States Patent No 7,043,450 ("the '450 patent").

5. Yahoo admits that it is subject to personal jurisdiction in this judicial district. Yahoo denies any allegation, express or implied, that it has infringed the '450 patent.

6. Yahoo admits that it is subject to personal jurisdiction in this district, but denies any allegation, express or implied, that it has infringed the '450 patent. Yahoo contends that pursuant to 28 U.S.C. § 1404(a) venue is not appropriate in this district.

BACKGROUND FACTS

7. Yahoo admits that on May 9, 2006, the United States Patent and Trademark Office issued the '450 patent. Yahoo further admits that a copy of a document purporting to be the '450 patent is attached to the Complaint as Exhibit 1.

8. Yahoo is without knowledge or information sufficient to form a belief as to the truth of the allegations in paragraph 8 of the Complaint and, on that basis, denies them.

COUNT I- Infringement of U.S. Letters Patent No. 7,043,450

9. Yahoo incorporates its responses to paragraphs 1-8 above as though fully set forth herein.

10. Denied.

11. Denied.

12. Denied.

RESPONSE TO PSET'S PRAYER FOR RELIEF

13. Yahoo denies that PSET is entitled to an award of any relief at all or to the relief sought in its prayer for relief in the Complaint against Yahoo, its agents, sales

representatives, servants and employees, associates, attorneys, parents, successors and assigns, and against any persons or entities acting at, through, under or in active concert or participation with Yahoo.

DEFENSES

14. As and for its defenses, Yahoo alleges as follows:

First Defense – Failure to State a Claim

15. The Complaint fails to state a claim upon which relief can be granted.

Second Defense – Noninfringement

16. Yahoo does not infringe and has not infringed, either directly, indirectly, contributorily, or by inducement, or in any other way, any claim of the ’450 patent, either literally or under the doctrine of equivalents, willfully or otherwise.

Third Defense – Patent Invalidity

17. The ’450 patent is invalid for failure to comply with the requirements of Title 35, United States Code, including but not limited to Sections 101-103, and/or 112.

Fourth Defense – Prosecution History Estoppel

18. PSET is estopped from construing the claims of the ’450 patent in such a way as may cover any Yahoo product or process by reasons of statements made to the Patent Office during the prosecution of the application that led to the issuance of the ’450 patent.

Fifth Defense – Lack of Subject Matter Jurisdiction

19. The Court lacks subject matter jurisdiction over this lawsuit because PSET does not have standing to bring this lawsuit for infringement of the ’450 patent.

Sixth Defense – Failure To Join A Necessary Party

20. All owners of the ’450 patent are indispensable parties, and PSET has failed to join all owners of the ’450 patent as parties in this lawsuit.

Seventh Defense – Unclean Hands

21. PSET cannot enforce the ’450 patent due to unclean hands.

Eighth Defense – Inequitable Conduct

22. The ’450 patent is unenforceable due to inequitable conduct.

23. On information and belief, during prosecution of the ’450 patent, the named inventors and/or others substantially involved in prosecuting the application leading to the ’450 patent (collectively, “the ’450 applicants”) made misleading statements to the Patent Office with the intent to deceive the Patent Office. Specifically, in a Response to Office Action dated December 1, 2005, the ’450 applicants argued that the combination of references used by the patent examiner to repeatedly reject certain claims was not obvious because the combination of those references would reduce a search engine company’s revenues. On information and belief, the ’450 applicants knew this statement to be false.

24. Furthermore, on information and belief, the ’450 applicants deliberately excluded Jon Keel as a named inventor with the intent to deceive the Patent Office. On July 5, 2000, the ’450 applicants filed a provisional patent application listing Mr. Keel as the first inventor on that application. On December 20, 2002, the ’450 applicants filed the ’450 patent application and claimed priority by way of continuation to the provisional patent application. The Summary of Invention disclosed in the ’450 patent application and the claims included with the ’450 patent application are identical to the Summary of Invention and claims included with the provisional patent application. However, the ’450 applicants excluded Mr. Keel from being named as an inventor on the ’450 patent. On information and belief, Mr. Keel made a significant contribution to the purported inventions claimed in the ’450 patent. Specifically, on information and belief, named inventor Juan Velez took subject matter taught by Mr. Keel and, with named inventor Daren Murrer, wrote a software program implementing Mr. Keel’s teachings. On information and belief, the ideas conceived of by Mr. Keel are included in the claims of the ’450 patent.

25. In addition, on information and belief, prior to issuance of the ’450 patent, the ’450 applicants were aware of information material to the patentability of the claims of the ’450 patent, but withheld that information from the Patent Office with the intent to deceive the Patent Office. The withheld information includes but is not limited to university course materials, specifically course materials prepared by Mr. Keel concerning keyword bid optimization, and an International Preliminary Examination Report dated November 11, 2003, rejecting all claims pending in a foreign counterpart to the ’450 patent.

COUNTERCLAIMS

In accordance with Rule 13 of the Federal Rules of Civil Procedure, Yahoo asserts the following counterclaims against PSET.

Jurisdiction and Venue

26. Yahoo is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Sunnyvale, California.

27. On information and belief, PSET is an Ohio corporation.

28. These Counterclaims arise under the United States Patent laws, 35 U.S.C. § 101 *et seq*. These counterclaims seek declaratory relief for which this Court has jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

29. This Court has personal jurisdiction over PSET because it has consented to jurisdiction in the state of Texas by bringing the present action.

30. Venue is appropriate because PSET has consented to the propriety of venue in this Court by filing its claim for patent infringement in this Court, in response to which these counterclaims are asserted.

31. PSET claims to be the owner of the ’450 patent.

A. Declaration of Noninfringement

32. Yahoo realleges and incorporates by reference the allegations set forth in paragraphs 9-12 above as though fully set forth herein.

33. An actual and justiciable controversy exists between Yahoo and PSET with respect to the non-infringement of the ’450 patent because PSET has brought this action against Yahoo alleging that it infringes the ’450 patent, and Yahoo denies this allegation. Absent a declaration of noninfringement, PSET will continue to wrongfully assert the ’450 patent against Yahoo, and thereby cause Yahoo irreparable injury and damage.

34. Yahoo has not infringed the ’450 patent, either directly or indirectly, literally or under the doctrine of equivalents, willfully, or otherwise, and is entitled to a declaratory judgment to that effect pursuant to 28 U.S.C. §§ 2201-2202.

35. This is an exceptional case entitling Yahoo to an award of its attorneys’ fees incurred in connection with this action pursuant to 35 U.S.C. § 285.

B. Declaration of Invalidity

36. Yahoo realleges and incorporates by reference the allegations set forth in paragraph 17 above as if fully set forth herein.

37. An actual and justiciable controversy exists between Yahoo and PSET with respect to the invalidity of the ’450 patent because PSET has brought this action against Yahoo alleging that it infringes the ‘450 patent, and Yahoo denies this allegation. Absent a declaration of invalidity, PSET will continue to wrongfully assert the ’450 patent against Yahoo, and thereby cause Yahoo irreparable injury and damage.

38. The ’450 patent is invalid under the provisions of Title 35, United States Code, including, but not limited to Sections 101-103, and/or 112, and Yahoo is entitled to a declaratory judgment to that effect pursuant to 28 U.S.C. § 2201-2202.

39. This is an exceptional case entitling Yahoo to an award of its attorneys’ fees incurred in connection with this action pursuant to 35 U.S.C. § 285.

C. Declaration of Unenforceability Due To Inequitable Conduct

40. Yahoo realleges and incorporates by reference the allegations set forth in paragraphs 22-25 above as though fully set forth herein.

41. Yahoo is entitled to a declaratory judgment pursuant to 28 U.S.C. §§ 2201-2201 that the ’450 patent is unenforceable.

42. This is an exceptional case entitling Yahoo to an award of its attorneys’ fees incurred in connection with this action pursuant to 35 U.S.C. § 285.

RELIEF

WHEREFORE, Yahoo seeks the following relief:

a. That judgment be entered in favor of Yahoo and against PSET on PSET’s Complaint;

b. That PSET take nothing by its Complaint and that PSET’s Complaint be dismissed with prejudice;

c. That each and every claim of the ’450 patent be declared not infringed, invalid, and/or unenforceable;

d. That pursuant to 35 U.S.C. § 285 and/or other applicable laws, PSET’s conduct in commencing and pursuing this action be found to render this an exceptional case and that Yahoo be awarded its attorneys’ fees incurred in connection with this action;

e. That Yahoo be awarded its cost of suit incurred herein; and

f. That Yahoo be granted such other and additional relief as this Court deems just and proper.

DATED: November 8, 2007

/s/ David J. Healey
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was filed electronically in compliance with Local Rule CV-5 on this 8th day of November 2007. As of this date, all counsel of record have consented to electronic service and are being served with a copy of this document through the Court's CM/ECF system under Local Rule CV-5(a)(3)(A).

/s/ Pauline Justice
Pauline Justice